



# TECHNICAL SCOOP STOCK OF THE WEEK

Charts and commentary by David Chapman

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December 2, 2010



Chart created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

Centerra Gold (CG-TSX) has long been a favourite. And it remains one. This chart shows a stock that has been in a very strong uptrend. And as long as gold keeps going up there is no reason as to why Centerra

should not continue to give off a superior performance. For the record, CG is up an incredible 1733% from the depths of the 2008 financial panic; 58.5% over the past year; 84.1% over 3 years; and, 164% over 5 years. While there may be some that have performed better, CG has certainly been amongst the top performers.

Centerra Gold engages in acquiring, exploring, developing, and operating gold properties principally in Asia and the former Soviet Union. It owns interest in the Kumtor mine located in the Kyrgyz Republic and in the Boroo mine and Gatsuurt property located in Mongolia. The company also holds an interest in the REN property located in Nevada, the United States, and in joint venture exploration properties located in Russia, Turkey, and the United States. Centerra is the largest western based gold producer in Central Asia. Centerra Gold Inc. was founded in 1992 and is headquartered in Toronto, Canada. The company is a subsidiary of Cameco Corporation.

Centerra has roughly 235 million shares outstanding with a market cap of around \$4.9 billion. With 2 producing mines, CG has produced to the end of June 2010 332.7 thousand ounces of gold. This keeps CG on pace with 2009's production levels. Revenue of \$407.7 million is already 60% of revenue reported for all of 2009 and the EPS of 65 cents per share exceeds 2009's 48 cents per share (before unusual items). CG has an annual dividend of 6 cents per share or about 0.3% based on the current price. Their major mine at Kumtor contains 2.2 million ounces of gold at an average grade of 2.4g/t. The cash cost is around \$460/ounce.

There is good news/bad news with the chart. First the good news. CG has broken out to new highs and weekly indicators are turning up once again. Second there are no negative divergences on the weekly charts despite the steady rise over the past two years. Periods of corrections are seen with higher lows and higher highs. The bad news, and also difficult to discern right now, is that there is a possibility that that CG may be forming an ascending wedge triangle. This is a maybe because the triangle is not particularly steep as is usually seen with ascending wedges. A firm break above \$22 would end any discussion of an ascending wedge triangle. This would then set sites on what may be a broader bull channel where the top of the channel is closer to \$30.

The ascending triangle that formed between December 2009 and July 2010 had a level near \$18. Given that level was achieved the next level is just above \$21 which is where CG is currently trading. Above that the levels are \$23 and \$25 and near \$30. The danger points are a break back under \$17.80 and especially under \$14.40. A break under \$14.40 could then potentially target down to \$10 once again. That is quite a bit of room to form corrections. While that scenario is not expected it cannot be ruled if the current bull market in gold were suddenly to end. While corrections will always occur gold's recent strength against the US\$ even as it has gone up is encouraging.

Centerra has been a strong performer and that is expected to continue. Gold stocks remain generally undervalued in terms of gold and targets for the Gold Bugs Index (HUI) and the TSX Gold Index are higher from current levels. CG has a current valuation of over \$26 per share still higher than the current trading price around \$21.

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